

Dana Point Harbor Marina

First Phase Loan Funding of \$1,500,000

(Total Loan Amount of \$15,000,000)

SUMMARY

Department of Boating and Waterways (DBW) loans are funded exclusively through the Harbors and Watercraft Revolving Fund. These funds are derived from the gasoline taxes paid by boaters in California and the repayment of loan principal and interest. No State General Fund dollars are used.



The County of Orange (County) has applied to the Department for loans totaling \$45,000,000 to improve the Dana Point Harbor Marina, as a part of the larger Dana Point Harbor Revitalization Project. The County proposes to fund these improvements in three stages of approximately \$15,000,000 over six to 10 years. This report concerns first phase funding of \$1,500,000 of the first stage of \$15,000,000.

Dana Point Harbor is located in the City of Dana Point, along the southern shoreline of Orange County. The Harbor is 15 miles north of the City of Oceanside, and 15 miles south of the City of Newport Beach.

The marina includes the East Marina, originally constructed in 1971, and the West Marina, originally constructed in 1975, both constructed by the U.S. Army Corps of Engineers. Both marinas are in need of refurbishment. The East Marina includes 1,359 berths, approximately 1,100 Cove and Island parking spaces, and eight public restroom/office buildings. The West Marina includes 842 berths, approximately 700 Cove and Island parking spaces, and six public

restroom/office buildings. The West Marina is currently under a concessionaire contract which expires in October, 2005. The County will take over management of the West Marina in November, 2005.

The first stage of \$15,000,000 will cover: 1) Demolition and reconstruction of 240 berths in the East Marina, 2) demolition and reconstruction of 500 berths in the West Marina, 3) installation of gangways in both marinas, 4) fortification of the bulkhead, 5) replacement of dock utilities, 6) reconfiguration of a parking area, and 7) construction of a new harbormaster office/public restroom building.

As shown in this report, it is expected that the requisite factors necessary to establish the project's financial feasibility will be met. There is adequate capital to finance the project, estimated revenues exceed estimated expenses, and there is adequate collateral for the proposed loan.

Phase II funding of the first increment of \$15,000,000 is anticipated in Fiscal Year 2005/06.

INTRODUCTION

Loan Applicant

The loan applicant for this project is the County of Orange (County). The County operates 27 regional parks, seven miles of beaches and three harbors through its Resources and Development Management Department, Division of Harbors, Beaches and Parks. The division also operates and manages historical facilities and natural resources.

Project Identification

The proposed project is to improve the existing Dana Point Harbor Marina. The County has applied to the Department for a total loan amount of \$45,000,000. The Department proposes to fund these improvements in three stages of approximately \$15,000,000 over six to 10 years. This report concerns first phase funding of \$1,500,000 of the first increment of \$15,000,000.



Future stages will be submitted based on fund availability and marina condition, with items most in need of replacement constructed first. Each stage will be presented to the Commission as a new loan for consideration.

DBW is funding the marina portion of the larger Dana Point Harbor Revitalization Project. The complete Dana Point Harbor Revitalization Project also includes the following land-side improvements: 1) Construction of 75,000 sf of retail shop and restaurant space, 2) construction of an 800 vehicle parking area, 3) repair/replacement of 1,500 sf of the bulkhead, and 4) replacement of the existing 136-room hotel with a new 100 to 200-room hotel with dining and meeting facilities. The Revitalization Project will be funded through the issuance of general obligation bonds to be repaid with net revenues from the Tidelands Trust, prepaid ground leases, and cash accumulation of net revenue over time or any combination of these sources. DBW funding will be utilized for the marina project only.

Project Location

Dana Point Harbor is located in the City of Dana Point, along the southern shoreline of Orange County. The Harbor is 15 miles north of the City of Oceanside, and 15 miles south of the City of Newport Beach.

Access to Project

From Interstate 5 going south, take the Pacific Coast Highway exit and go north one mile. Turn left on Dana Harbor Drive and travel 1/2 mile to the Dana Point Harbor entrance at Golden Lantern.

Area Description

Dana Point Harbor is situated in a natural cove along the southern shoreline of Orange County. Steep bluffs surround it on the north and west and Doheny State Beach adjoins the Harbor on the southeast. The Harbor has established itself as one of the premier small boat harbors on the West Coast, with a diverse range of recreational and commercial activities. It is host to frequent annual events including the Festival of Whales in March, a boat show on Memorial Day weekend and the Tallships Festival in September. The population in Orange County as of January 1, 2004 is 3,016,298.

The East Marina includes 1,359 berths, approximately 1,100 Cove and Island parking spaces, and eight restroom/service buildings. The West Marina includes 842 berths, approximately 700 Cove and Island parking spaces, and six restroom/service buildings. The West Marina is currently under a concessionaire contract which will expire in October, 2005. The County will take over management of the West Marina in November 2005.

Previous Commission Actions

There has been no previous Commission action at Dana Point Harbor.

ENGINEERING CONSIDERATIONS

At the time of application, each project is evaluated by a Department of Boating and Waterways (DBW) engineer. The DBW engineer reviews the application, checks/verifies estimated costs, and visits the project site. The DBW Planning Unit and the engineer then recommend the best proposed alternative. This project is being recommended because both marinas are approximately 30 years old and in need of refurbishment. The East Marina will also be reconfigured with berth sizes more reflective of current market demand.

Project Description

The project entails: 1) Replacement of 240 berths in Cove docks J-O in the East Marina, 2) replacement of 500 berths in Cove docks A-C in the West Marina (see berth size distribution table, page four, for the total number of berths in each marina), 2) installation of three barrier-free access aluminum gangways in the East Marina and four in the West Marina, 3) fortification of the bulkhead, 4) replacement of all dock and landside utilities (electrical, water, and fire), 5) reconfiguration of the parking area adjacent to the East Marina (Cove side), and 6) construction of a new 4,000 sq. ft. harbormaster office/public restroom building.

In addition to the total number of berths shown in the berth size distribution table, there are 91 inside ties (25,542 LF) and 44 end ties (1,654 LF) in the West Marina in the existing configuration. These numbers will remain the same after the improvements are completed. In the East Marina, there are currently 30 inside ties (750 LF), 19 end ties (1,437 LF), and 28 side ties (1,209 LF) in the existing configuration: in the proposed configuration there will be 6 inside ties (650 LF), 16 end ties (1,060 LF), and 22 side ties (1,100 LF).

Cost Estimate**PROJECT ITEM**

Demolition/Disposal	\$	2,260,000
Berths		5,030,000
Gangways		385,000
Bulkhead		1,450,000
Utilities		1,405,000
Parking Area		500,000
Harbormaster/Restroom		<u>583,000</u>
SUBTOTAL	\$	11,613,000
Contingency		1,159,000
Engineering		1,500,000
Inspection		570,000
Permits		<u>158,000</u>
TOTAL	\$	15,000,000

Conclusion

There are no particularly difficult or unusual problems associated with this project. It is therefore considered feasible, from an engineering standpoint, at an estimated construction cost of \$15,000,000.

ECONOMIC ANALYSIS

In addition to an engineering review, each loan project must meet DBW's economic feasibility requirements before it is submitted to the Boating and Waterways Commission for consideration. Economic feasibility is determined by three main factors: (1) the borrower demonstrates that adequate capital is available to finance the project to completion;

DANA POINT HARBOR - Existing and Proposed Berth Size Distribution

Berth Size	East Marina		West Marina	
	Existing	Proposed	Existing	Proposed
20	29	0	0	0
21	13	0	0	0
22	0	0	18	18
24	0	0	94	94
25	617	288	88	88
26	63	0	224	224
28	0	0	114	114
30	305	338	74	74
31	0	2	0	0
31	0	2	0	0
35	160	110	96	96
38	0	4	0	0
40	89	141	42	42
43	0	4	0	0
45	48	211	48	48
50	12	12	22	22
52	0	0	12	12
55	14	16	10	10
60	9	9	0	0
Total # of Berths	1,359	1,137	842	842
Total LF	40,296	38,799	25,542	25,542

TABLE 1
DANA POINT HARBOR
Annual Cash Flow Projections
(in 000's)

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13
REVENUE								
<i>East Marina - Berths</i>	7,639	7,508	8,045	8,593	9,473	9,852	10,246	10,656
<i>East Marina - Other Revenues</i> ²	928	956	985	1,014	1,044	1,076	1,108	1,141
<i>West Marina - Berths</i>	4,425	4,372	4,666	4,978	5,177	5,384	5,599	5,823
<i>West Marina - Other Revenues</i> ²	223	230	237	244	251	259	266	274
TOTAL REVENUE	13,215	13,066	13,932	14,829	15,945	16,570	17,220	17,895
OPERATING EXPENSES ³	3,557	3,903	4,273	4,444	4,710	4,899	5,095	5,298
RESERVES ⁴	264	261	279	297	319	331	344	358
DBW LOAN ⁵		338	676	921	921	921	921	921
TOTAL EXPENSES	3,821	4,502	5,228	5,662	5,950	6,151	6,360	6,577
NET REVENUE	9,394	8,563	8,704	9,167	9,996	10,419	10,859	11,318

1) Berth rates in the East Basin Marina are between \$9.78 and \$18.88 per linear foot. Berth rates in the West Basin Marina are between \$7.36 and \$14.70 per linear foot. Berth rates are subject to a 4% annual CPI increase, and a 6% market adjustment every fourth year (FY 2005/06, FY 2009/10, etc.). A 10% vacancy is assumed in the both basins during construction in FY 2006/07, and a 5% vacancy is assumed in FY 2007/08. Occupancy is otherwise assumed to be at 97%. (Actual occupancy is at 99% with a waiting list of 2,340 for 2,438 slips in the East and the West Marinas combined.)

2) Other revenues in the East Basin Marina include guest docks, parking, dry storage and office rent. Other revenues in the West Basin Marina include dry storage and office rent. These revenues are subject to a 3% annual CPI increase.

3) Operating expenses average 30% of gross operating revenues.

4) Reserve set aside for extraordinary maintenance - estimated as 2% of monthly gross operating revenues.

5) Proposed \$15,000,000 Boating and Waterways loan @ 4.5 % for 30 years. Interest-only payments are calculated for FY 2006/07 and FY 2007/08 with the assumption of 50% drawdown each year. If the second and third stages of \$15,000,000 are approved for this project, additional annual payments of \$921,000 for each stage could start as early as FY 2008/09 and FY 2010/11, respectively.

(2) the borrower demonstrates that Project Area revenues will be sufficient to operate and maintain the Project Area, including the repayment of any debt; and (3) the borrower proposes adequate collateral for the loan.

Capital

Total cost of the first increment of the Dana Point Harbor Marina improvement project is expected to be \$15,000,000. The County will use DBW loan proceeds to finance these costs. There is, therefore, sufficient capital to construct the facilities to completion.

Revenues and Expenses

A project's financial feasibility also depends on whether there will be sufficient revenue to pay for project expenses on an annual basis, including the repayment of the proposed DBW loan. The estimated revenues, expenses, and debt service (see Table 1) are as follows:

Revenues

Revenues to repay the DBW loan will be generated from marina revenues. Annual gross income from the East Harbor and the West Harbor is estimated at \$14,829,000 in FY 2008/09, when full payment begins. (see Table 1).

Expenses

DBW estimates the annual debt service on the proposed total loan amount of \$15,000,000 to be \$921,000 with full payment commencing on 8/1/08. Total expenses are estimated to be \$5,662,000 in FY 2008/09. A breakdown of revenues and expenses for the Dana Point Harbor is shown in Table 1.

Collateral

Collateral for the proposed loan will consist of a lease/leaseback of the marina (Between DBW and the County) with an assignment of rents and leases on marina revenues. Proposed collateral is sufficient to cover the Department's collateral requirements.

Reserves

An annual maintenance and dredging reserve account in the amount of two percent of annual gross revenues will be established by the County to cover required maintenance and dredging (see Table 1).

Financial Considerations

The completed project will be open to all on an equal and reasonable basis. Berthing rates in the West Basin Marina are \$7.36 to \$14.70 per linear foot. Berthing rates in the East Basin Marina are \$9.78 to \$18.88 per linear foot. Berthing rates are subject to an annual CPI increase of four percent, and a six percent market adjustment every four years thereafter.

Conclusion

As shown in this report, it is expected that the requisite factors necessary to establish the project's financial feasibility will be met. There is adequate capital to finance the project, estimated marina revenues exceed estimated expenses, and the County will provide adequate collateral for the proposed loan. Therefore, the Dana Point Harbor Marina project, as proposed, is considered financially feasible.

RECOMMENDATION

In view of the foregoing demonstration of the project's engineering and financial feasibility, staff recommends that the Boating and Waterways Commission consent to first phase loan funding of \$1,500,000 (total loan amount of \$15,000,000) to the County of Orange for improvements to the Dana Point Harbor Marina.

Dana Point Harbor Marina



East Harbor

Dana Point Harbor Marina

